

TOWN OF NEWINGTON
STANDING INSURANCE COMMITTEE
SPECIAL MEETING MINUTES

March 19, 2014

Town Hall Conference Room L100

- I. Call to order – Chairperson Castelle called the meeting to order at 7:00 PM.
- II. Roll call – members present: Clarke Castelle, Chairperson; Dave Nagel; Paul Vessella; Cheryl Constantine; and John Slusarski. Others present: Joe Peak, People’s United Insurance Agency; Lou Jachimowicz, Chief Finance and Operations Officer; and Jeff Baron, Director of Administrative Services.
- III. Public participation – None.
- IV. Consider and take action on a recommendation for additional coverage – In late October the Agent of Record presented its’ stewardship report. As part of that report cyber liability coverage was discussed. Mr. Peak was directed to obtain quotes for this coverage. Mr. Peak contacted the Town’s primary insurance carrier, CIRMA, and was told that there had not been a lot of interest expressed by other municipalities. Cyber liability is an evolving area of coverage that continues to develop over time as different problems and exposures arise from increasingly sophisticated efforts to breach security and obtain confidential information. Exposures include both security and privacy issues, such as notification expenses, crisis management, credit monitoring, public relations, data restoration, potential extortion, and forensic restoration. Equally or more important is third party liability, the indemnification of claimants. This could result from the exposed data of taxpayers, students (medical records and grades), employees, and police and fire data (alarm systems). This third party liability is not to the same extent as many retailers potentially face, but could none the less be significant. Following his discussion with CIRMA, Mr. Peak contacted R.T. Pro Exec and received 13 quotes. 5 of those quotes were from Aspen Specialty Insurance Company (rated A XV by A.M. Best), the carrier that the Agent of Record recommended the Committee give primary consideration to. Aspen’s quotes and their deductible amounts were both lower than the other viable option, Beazley.

The five quotes from Aspen Specialty for their Think Risk Converging Risk Liability Policy form all included duty to defend, with defense inside the duty to defend, and \$25,000 self-insured retention limits. The quotes are as follows:

Option	Limit of Liability	Separate Aggregate for 1 st Party	Premium
1.	\$1,000,000	No	\$ 9,587
2.	\$2,000,000	No	\$15,756
3.	\$1,000,000	Yes	\$10,526
4.	\$2,000,000	Yes	\$16,302
5.	\$3,000,000	No	\$19,860

In order to match the fee shown in these minutes, the fee on the sheet distributed by Mr. Peak would have to be adjusted by subtracting out 10% for the agent's commission that would not apply and then the 4% premium tax would have to be added back in. The retroactive date shown on the quote would be adjusted to the effective date of the policy. In response to a question from Ms. Constantine, the third party coverage would include regulatory defense coverage. There would be a seven day notification period. The support services provided by Aspen would also be important – they would have a questionnaire for the Town to fill out, they would assist in the development of a breach of data response plan, they would assist with incident response planning, and they have a news center to disseminate information to clients. Mr. Peak then distributed a handout showing data breaches from around the country and their magnitude.

Mr. Slusarski noted that this is pretty new coverage. While the premiums are reasonable now, he anticipates that they will rise substantially in the next few years. He supported option 1. Mr. Peak observed that if the Town purchased coverage, they would receive the risk management support, and could evaluate the coverage if costs were to rise. Ms. Constantine felt that if there was a claim, it is likely to be a large one. She preferred having \$2 million to cover third party damages and defense costs. Mr., Jachimowicz asked about cloud services and directories in the cloud. The policy would address those issues and the carrier could also help with indemnification agreements. Mr. Peak was authorized to share the pricing, limits and policy information received from Aspen with CIRMA.

Mr. Slusarski made a motion to accept the Aspen Specialty Insurance option 1 for a premium of \$ 9,587. A second to the motion was made by Mr. Nagel. Discussion: Any additional coverage would be contingent upon approval of funding through adoption of the budget. Most members were in favor of the separate aggregates for first party (the Town) and third party (the public, students, employees) claims. The motion failed by a vote of 1 YES (Mr. Slusarski) to 4 NO (Chairperson Castelle, Ms. Constantine, Mr. Nagel and Mr. Vessella). Mr. Nagel made a motion to accept option 2 for a premium of \$15,756. A second to the motion was made by Mr. Vessella. This option also did not have a separate third party aggregate. Mr. Vessella withdrew his second to the motion. Mr. Nagel then withdrew his motion. Ms. Constantine then made a motion to accept option 4 for a premium of \$16,302. A second to the motion was made by Mr. Nagel. Discussion: as with the earlier motion, any additional coverage would be contingent upon funding through Town Council adoption of the budget. Mr. Baron had included funding for this coverage in the budget request that

was included in the Town Manager's proposed budget that passed along to the Town Council, following discussion with Mr. Peak during budget assembly. Coverage would be effective on or after July 1st. The motion passed by a vote of 4 YES (Chairperson Castelle, Ms. Constantine, Mr. Nagel and Mr. Vessella) to 1 NO (Mr. Slusarski).

- V. Discussion regarding renewal – In October, increasing the extra expense limit was also discussed. This was in light of the greater probability that a school would not be able to open in a timely manner following a loss due to hazardous material abatement standards currently in effect. In such an event, extra expense coverage would be needed for transportation and temporary classroom rental. Mr. Peak reported that to increase the extra expense limit from the current \$500,000 to \$1,000,000 would cost an additional \$500 in premiums, and to increase from \$500,000 to \$2,000,000 would cost an additional \$1,200 in premiums. Ms. Constantine made a motion to increase the Extra Expense coverage purchased to \$2,000,000 for an additional premium of \$1,200. A second to motion was provided by Mr. Vessella. The motion passed unanimously by a vote of 5 YES to 0 NO.

There was further discussion regarding the CIRMA renewal. The current Liability – Auto-Property policy is on a rate lock (budget stabilization program). The workers compensation is on a retrospective rating program that has kept the same maximum premium of \$721,215. The Town has been slowly building up the pay-in (premium) for workers comp. It will increase in July from \$592,000 to \$633,000. This will mean a greater probability of good news when the retro calculation is determined, 6 months and 18 months after the end of the policy year. The premium is expected to increase to \$677,000 the following year. It was agreed that Mr. Peak should approach CIRMA about extending both the LAP and the workers compensation policies.

- VI. Any other business pertinent to the Committee – None.
- VII. Public participation – None.
- VIII. Response to public participation - None.
- IX. Adjournment – The meeting adjourned at 8:29 PM.

Respectfully submitted,

Jeff Baron

Jeff Baron
Director of Administrative Services